



AN ASSOCIATION OF
MONTANA HEALTH
CARE PROVIDERS

Testimony on HB 2
Before the Joint Appropriations Subcommittee on Health and Human Services
January 22, 2013

MHA appreciates this opportunity to provide comments regarding the Medicaid budget for senior and long term care services. Montana nursing homes and community providers depend heavily on the Montana Medicaid program because this program is the primary payer for long term care. The services that are offered – and the location of those services – are directly affected by the Medicaid program.

Adequacy of Medicaid Payments for Nursing Facility Care

The Department produces an annual report about nursing facility payments, including a determination of how many facilities cover their costs to provide care to Medicaid beneficiaries. The most recent report concluded that 38 of the 81 facilities in the program were unable to cover their costs. The current nursing facility budget proposal from the Governor proposes a 2% per year increase in Medicaid rates. MHA believes that this modest rate hike will only cause more facilities to see Medicaid payments not cover their treatment costs.

About 60% of the residents in a nursing facility are covered by Medicaid. Medicare covers less than 10%. This leaves about 30% of the residents to make up any loss on Medicaid and pay for the cost of their own care. Nursing facilities have few alternative revenue sources, and are not able to easily cut costs given the regulatory environment within which they operate. More than 57% of the cost to provide nursing facility care is payroll-related. Taking money out of the facility is taking money out of paychecks and out of the number of jobs the local facility can support; also, reducing the number of staff has been proven to contribute to substandard quality of care.

As noted by the Legislative Fiscal Division staff, nursing homes continue to see a downward trend on resident days statewide. But there are some facilities that have a high resident census, rebounding from the decline noted in the past. Montana demographics suggest that even with more care being provided in the community, nursing facilities will likely see more residents in the future, not less.

MHA recommends that the Legislature consider authorizing a rate increase equal to 5% per year for the upcoming biennium. One strategy to help fund this level of rates is to maintain the funding in the budget for the current level of patient days, rather than lower the budget based upon a forecast of fewer bed days. The Department could be directed to utilize the current general fund and tobacco tax revenue, together with the IGT program to boost current per day rates. HB 2 would only need new funding adequate to fill in any additional general fund to meet a 5% target increase.

Direct Care Wage Funding

The Legislature approved about \$4 million to provide about \$3.81 per day to nursing facility and other direct care workers. This funding was intended to address chronic staff shortage and turnover problems at nursing facilities. But the funding was approved on a one-time-only basis. As such, the funds are not included in the base level budget, and this funding has not been requested for the upcoming biennium. This means that the issue about staffing the facility remains, while the means to address the problem have been removed.

MHA recommends that the Legislature restore the wage funding to the Medicaid budget. We also recommend that the funding be provided on a permanent basis, rather than one-time-only, and the restrictions to direct care staff be removed.

Community-based Services

MHA has long supported the creation and expansion of community based services for Medicaid beneficiaries. We support the premise that seniors and others served by this program should be able to choose where and from whom they receive services. For this reason, we support the adoption of the Community First Choice Option proposal.

MHA suggests that the Legislature and the DPHHS monitor this program to determine whether:

- Expanding community services lowers nursing facility expenditures;
- Overall health costs are reduced; and
- The health status of beneficiaries in home care improves.

Nursing home costs have continued to increase over the years even though utilization has declined as optional treatment sites have emerged. Nursing facility residents are currently admitted to the facility later in life, and with greater acuity than in years past. The higher acuity and more frail health status mean the annual treatment cost is higher than in the past. The CFCO program may help contain health spending, but nursing facility expenditures may remain at or above the current levels due to increased numbers of elderly Montanans who have more acute medical needs.

Providing more medical care in alternative settings reflects the beneficiary preference to be cared for in their own homes rather than in a facility. DPHHS should implement quality measures to determine if in-home care is provided without an increase in such conditions as pressure ulcers, patient falls and unplanned readmissions to hospitals. Monitoring quality measures will help determine how well the community services improve health outcomes and health status of the beneficiaries.

Thank you for your consideration.



Vice President